

FINAL REPORT

TRUCKEE INCORPORATION FEASIBILITY STUDY

Prepared for the

Truckee-Donner Chamber of Commerce

April, 1983

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Truckee Incorporation Feasibility Study

A. Summary

1. General

Should Truckee incorporate, this report estimates that annual city costs and revenues will approximately balance. There is not a large revenue surplus to provide a comfortable cushion against unforeseen events, but at the same time the diversity of city services and revenues offers flexibility to adjust to the future. The major purpose of incorporation would be home rule and local control of development; proposed city services therefore continue present county service levels and costs, often under contract from the county. The exception is road maintenance, which is inadequate and would be increased.

2. City services and annual costs

- General Government (Council, office staff, etc.): \$214,000
- Police (contract with Sheriff at present level): \$800,000
- Planning (Commission and staff): \$55,000
- Building inspection (contract with county): \$220,000
- Engineering (development review; county or private contract): \$30,878
- Animal Control (contract with county or vice versa): \$34,215
- Road maintenance (contract with county or visa versa; increase present \$335,000 program by \$200,000): \$535,000
- Road Improvements (carry out current county five-year plan, which county does not now have complete funding for): \$76,000 plus mitigation fees, etc.
- Snow removal (contract with county or vice versa): \$800,888 average (these costs fluctuate with conditions, and \$1,000,000 is also considered).

- Solid waste disposal (contract with county or vice versa): \$225,000
- Senior and handicapped transit (finance extension of present van service, as required by law): \$12,000

The above total \$3,017,981. Police and snow removal costs are high compared to other cities. Because the city will constitute about 90% of the East County work load for most services, whether the city will contract with the county or vice versa is used to indicate a situation where immediately after incorporation the county will provide the service, but in the longer term the city may.

3. Annual City Revenues

Property tax	\$ 667,483
Sales tax	587,344
Gas tax	85,760
Vehicle licenses	111,000
Bed tax	61,962
Fines	129,796
Building Permits	190,000
Revenue-sharing	60,000
Transportation grant	88,000
Snow removal reimbursement	674,660
Solid waste charges	225,000
Other	155,670
	<hr/>
	\$3,036,675

In terms of the sales tax, bed tax and fines (due to the inspection station), Truckee's revenue base is stronger than most California cities. Revenues per capita compare as follows:

	<u>Average City</u>	<u>Truckee</u>
Sales tax	\$69	\$98
Bed tax	7	10
Fines	6	22

Incorporation is more feasible financially than it was at the time of the 1976 study. Before Prop. 13, for a new city to receive any property tax revenue it had to levy an added city rate. Today no added rate is permitted, but a new city automatically receives a share of the county's allocation of the 1% county-wide tax, as shown above. In addition, these local revenues have increased significantly:

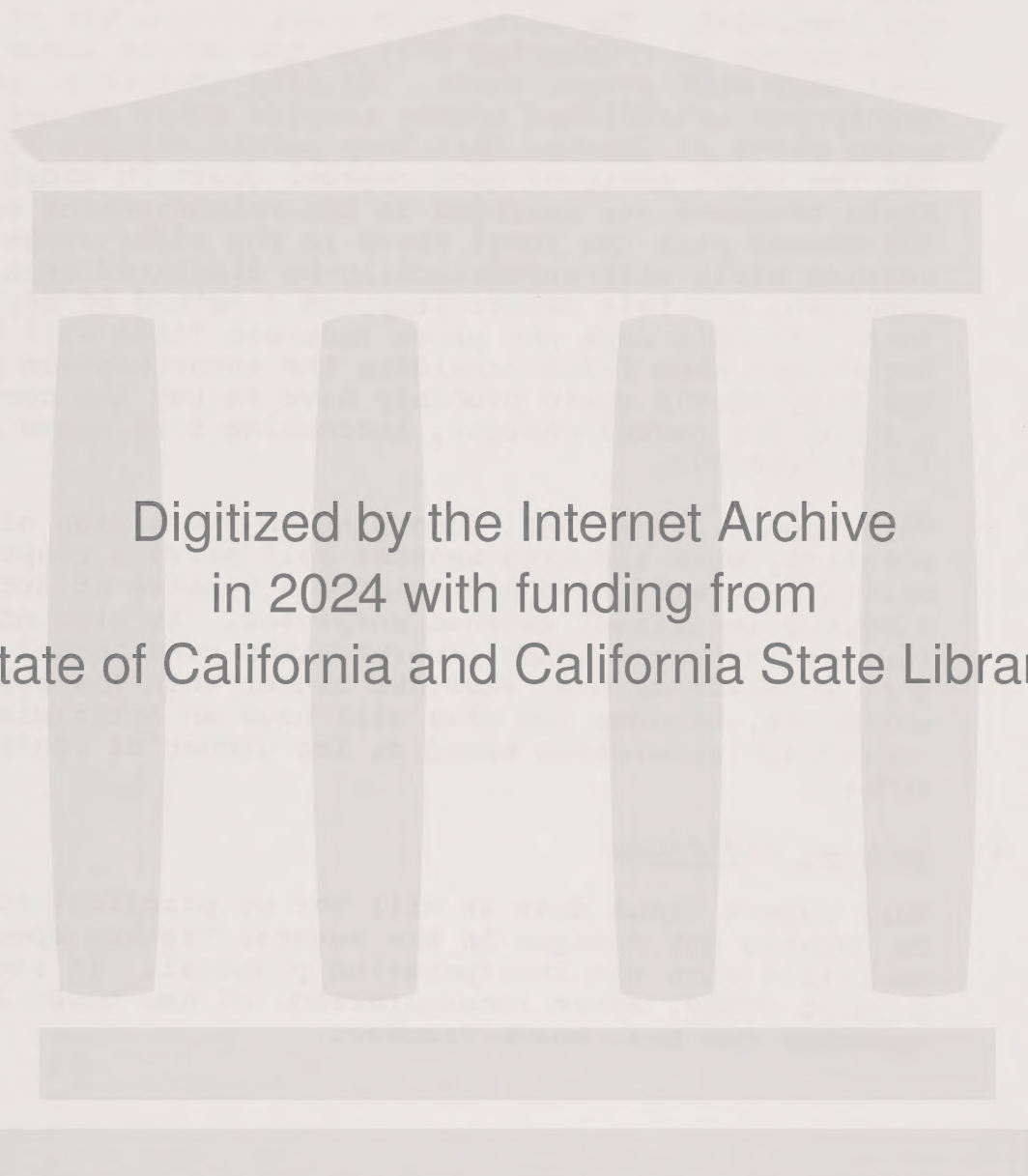
	<u>1976</u>	<u>1983</u>
Sales tax	\$178,500	\$587,344
Bed tax	18,000	61,962
Fines	49,000	129,796

Snow removal financing is particularly complicated and important. The state reimburses cities 50% of costs (the county is reimbursed 40%) so the amount shown above will vary with actual costs. Equally important, the county has established county service areas in the newer parts of Truckee that levy parcel charges to pay for the local share of snow removal costs in those areas. These revenues are included in the reimbursement estimate. The county pays the local share in the older areas. The service areas will automatically be dissolved upon incorporation, and this report proposes a method of replacing them. If that does not prove feasible (this will be determined when Lafco considers the incorporation proposal), the city itself would probably have to pay the cost now paid by the parcel charges, increasing city costs by at least \$100,000.

This report notes that, depending on the timing of incorporation, when the city assumes full service responsibilities it will have accumulated a reserve of around \$350,000 in initial revenue surpluses. It also notes that for several years after incorporation city annual revenues will actually be over \$100,000 higher than the above estimates, because the city will have an artificially high "official" population based on its number of registered voters.

4. Special districts

This report finds that it will not be practical to attempt to combine any changes in the several Truckee special districts with the incorporation proposal. It recommends a joint study, after incorporation, of how these local agencies can best serve Truckee.



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B. Introduction

1. General

An incorporation feasibility study considers the county services that the city would take over, as well as the needs and purposes of the community with respect to incorporation. Based on these, it then projects the organization of the city and the services it would provide. Finally, using data from the county, similar cities, and the state, it projects city costs and revenues. These are intended to be general and illustrative tests of the feasibility of incorporation, and recognize that within these general parameters, future City Councils will actually make the choices. Cities similar to Truckee are, of course, hard if not impossible to find. Only South Lake Tahoe has as high an elevation and snowfall, and its size and economy are substantially different from Truckee's. Therefore this study has required more original research, and more assistance from county and other officials and records, than is usual. This study will also occasionally refer to an earlier incorporation study, made in 1976 for the county.

2. Purposes of Incorporation

Discussions with the Incorporation Committee of the Chamber of Commerce, as well as presentations of a preliminary report to meetings of the Chamber, and the Truckee Downtown Merchants' Association, indicate that the general purposes of incorporation center around home rule, self-reliance and local control of development. The county is felt to be too far away and different in outlook from Truckee, although county service levels, such as Sheriff's protection or snow removal, are felt to be adequate. The exception is road maintenance, which, due to county funding constraints, is inadequate.

3. The Incorporation Process

Initiation is by petition, or by a resolution of the county or a local special district. If by petition it should describe the boundaries and the reasons for incorporation, and designate up to three people as chief petitioners. The petition should be signed by at least 25% of the registered voters in the area. The proposal is then heard by Lafco, which can approve, disapprove, or modify it. Unless disapproved, it then goes to the Board of Supervisors, which holds a protest hearing. Unless written protests are filed by at least 50% of the voters in the area, it then goes to election. A simple majority vote decides, and at the same election the five candidates getting the most votes become the City Council if incorporation passes. The entire process requires a minimum of seven months.

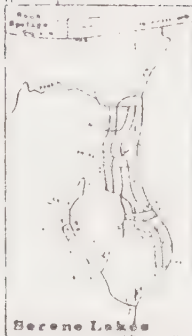
4. Incorporation Boundaries, Population and Future Growth

The accompanying map roughly shows the proposed boundaries, which may be modified slightly. They are intended to include those areas zoned or planned for urban uses, and to exclude open space and forest areas, particularly wildland fire hazard areas. The preliminary report pointed out that the state does not finance wildland fire protection within city boundaries. At the same time, it should be noted that big fires are infrequent in this area, and that a city could enforce stringent development standards to minimize fire risks.

Census tract #12 had a 1980 Census population of 5,539, and is somewhat larger than the proposed city. Because Truckee has been growing rapidly, the county Planning Department feels a workable current figure for city population is 6,000. This is the permanent population; the summer seasonal population is much larger.

No separate future population projections have been done for the Truckee area. The state has projected the county as a whole to grow from 59,173 (January, 1982) to 73,800 in 1985 and 90,300 in 1990. From 1970 to 1980 the county increased 96%, while Truckee increased 125%. The state projects the 1980-1990 county increase at 75%. The county Planning Department agrees this is a good minimum figure for Truckee, so that the present 6,000 would grow to at least 10,500 by 1993. There are over 8,000 vacant parcels in Truckee, as well as undeveloped land, which can easily accommodate far more residential growth than these projections.

A number of state and federal subvention revenues to new cities are based partly or wholly on population, and because there is no way to establish the actual population of a new city without an expensive special census, state law says the "official" population of a new city shall be three times its number of voters. This figure is used for the state and federal subventions until the next regular census results, which will be in 1991-92. Except in areas with many children, multiplying the voters by three results in an artificially high population. Truckee is in nine precincts, four of which extend beyond the proposed boundaries. The nine contain 3,298 voters, of which about 3,000 are within the boundaries. The county will determine the actual number in the incorporation process. Thus the official population will be around 9,000 until 1991-92, unless actual growth exceeds that figure, in which case a special census could be made.

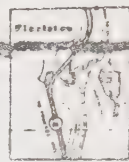
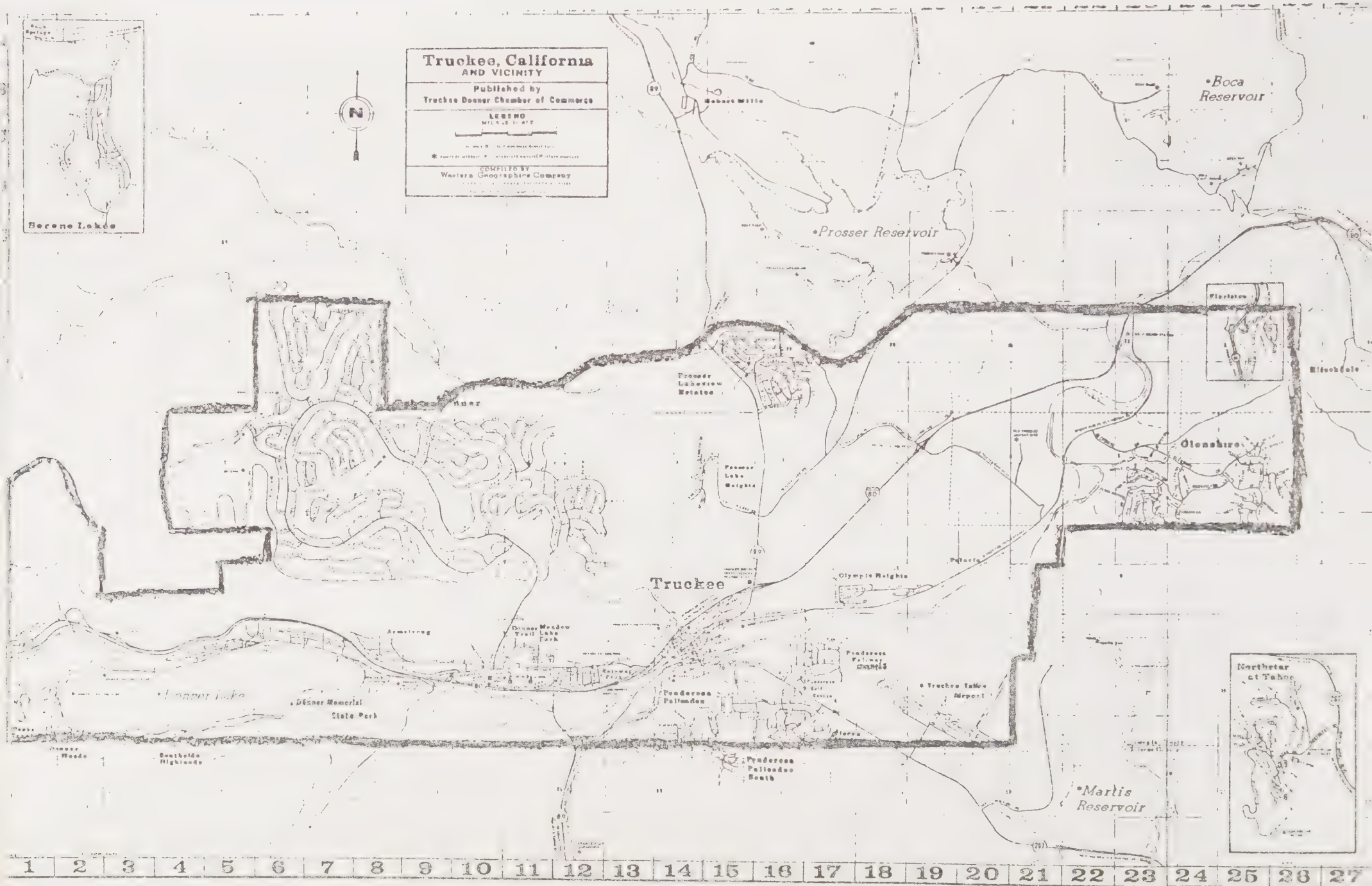


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Having an official population 50% above the actual will result in a temporary financial windfall, which should not be considered a part of long-term feasibility. These extra funds should be set aside for special purposes, and not used up for day-to-day city activities. The revenue estimates in this report use actual population, but do indicate the size of the temporary windfall.

C. Proposed City Services and Annual Costs

1. Introduction

When a city incorporates, it assumes responsibility for those services the county provides in the unincorporated area only. These include Sheriff's patrolling, road maintenance and improvements, planning, building inspection, engineering, transportation planning, animal control, and snow removal. It also assumes any county service area responsibilities, in this case snow removal and solid waste disposal. In addition, the city has a "General Government" function, including the City Council, city offices, ordinance-making authority, etc.

2. General Government

This is a uniquely city function, not comparable to any service now provided by the county. It includes the City Council, administration, legal services, office space, insurance, and the like. These can be organized in several different ways. Because the city will not be providing a number of services often provided by other cities (sanitation, fire protection, water supply, parks and recreation, and electrical services will continue to be provided by special districts and private utilities), and will probably be contracting out some of its own services, General Government staffing and costs can be held to a minimum. The 1976 report, with the assistance of a former city manager, estimated total costs of \$119,740. There has been substantial growth and inflation since then, and this report estimates the following:

Council (no pay, or part pay)	\$ 7,000
City Attorney (part-time)	17,000
Manager (recommended)	35,000
City Clerk	15,000
Account Clerk	15,000
Secretary	13,000
Fringe benefits (20%)	17,000
Office rent	9,000
Telephone and utilities	6,000
Office supplies and equipment	12,000
Mileage and travel	3,000
Legal ads	1,000
Elections (each two years)	2,000
Liability insurance	40,000
Promotion	10,000
Miscellaneous	12,000
	<u>\$214,000</u>

3. Police Protection

The preliminary report assumed 60% of the Truckee Sheriff's substation activity was within the city area. Since then the proposed boundaries, which are larger than the area the Sheriff thought was being considered, have been discussed with him, with the conclusion that 90% of the substation's activity is within those boundaries. The preliminary report also used a cost-per-deputy as the basis for city costs in contracting with the county for Sheriff's protection. The Sheriff suggests, instead, that 90% of the substation's 1982-83 costs of \$925,000 be used. The result is \$832,500, which he agrees could be lowered to \$800,000 to allow for the substation's jail, court bailiff and civil responsibilities and costs, which are not affected by incorporation. Thus \$800,000 represents the cost of maintaining the present level of service in the incorporation area, in the view of the Sheriff, who adds this figure will probably increase 5% this year, as a result of current salary negotiations.

This report uses 1982-83 cost/revenue data throughout, so will use the \$800,000. It is almost twice the estimate in the preliminary report, and will provide a force of around 18 officers. This is very large for a community of 6,000 population, but is more reasonable when second-home and tourist populations are considered. The fact that 90% of the police activity of the substation is in the proposed city raises the question of a city department, rather than a county contract. As the preliminary report noted, however, it would be preferable to contract for a few years after incorporation, when needs and options will be better understood.

4. Planning

In a 1982 county report, it was estimated the equivalent of 2.1 staff members is needed to serve the East County, at an annual cost of \$62,552. If 70% of this is attributed to the incorporation area, it would be \$43,786.

Local control and provision of planning services is a major purpose of incorporation, and it is assumed a city would want its own planning director and Planning Commission. The amount of development activity appears to justify a full-time position, probably assisted by consultants on specialized problems. Annual costs for this department, including secretarial assistance, are estimated at \$55,000.

5. Building Inspection

The county office in Truckee has a senior inspector, three field inspectors and three clerks. Its costs during 1981-82 were \$176,725, and its permit fee revenues were \$144,828. Of this, \$36,814 was in plan check fees for plan check service provided at the Nevada City office. Since plan check fees are set to equal costs, adding plan check costs to the Truckee office costs results in a total East County cost of \$213,539, of which roughly 95%, or \$202,862, occurred within the proposed city. These figures will vary with the amount of growth. In addition, most cities use a building permit fee schedule that comes closer to meeting costs than does the county schedule. This report assumes city building inspection costs of \$220,000 and revenues of \$190,000.

The new city, as well as the county, will have a decision to make concerning the contractual provision of this service. The county could provide the service to the city, as many counties do, usually with the county simply retaining the fees as full reimbursement. Or, in view of the fact the city would comprise 95% of the work load of the Truckee office, the city could establish its own department, perhaps serving the balance of East County under a contract with the county. That alternative might lose the plan check back-up of the Nevada City office, but it would facilitate cooperation with other city activities, such as planning.

6. Engineering

This activity includes the approval and inspection of land developments, review of development applications, traffic studies, and other civil engineering services. The 1982 county report estimated the equivalent of one engineer served East County, at 1982-83 costs of \$34,309. About 90% of this work is within the proposed city boundaries, resulting in estimated costs of \$30,878. The city could contract this service from the county or a private firm, or could employ its own City Engineer, who could also assist in the next item, Transportation Planning.

7. Transportation Planning

Cities and the county identify project needs for the Regional (county-wide) Transportation Plan, whose implementation is funded by the TDA funds described below, as well as other federal and state grants. According to the county, annual costs in Truckee are about \$15,000. This work could be done by city staff or under contract by the county or consultants.

8. Animal Control

The county has responsibility for this service in the unincorporated area. The county estimates East County costs at \$40,253, including one man and the costs of using a shelter in Placer County. About 85% of these costs, or \$34,215, are estimated within the proposed city. After incorporation the city could contract for the county to continue the service, or could take it over, serving the balance of East County at county cost. The county is planning some changes in its animal control program, which may help clarify this choice.

9. Solid Waste Disposal

The county currently provides this service in East County on a franchise basis. It is financed through county service areas, covering the entire area, which levy annual parcel charges of \$8 for unimproved parcels and \$32 for improved parcels. In addition, a share of the property tax allocated to the Solid Waste Fund (this is a fund covering the unincorporated area, which prior to Prop. 13 had a separate tax rate) is credited to East County. 1981-82 East County costs are estimated at \$202,250 and 1982-83 at \$249,000. In addition to parcel charge revenues of about \$228,000, the property tax credit is about \$49,000.

Upon incorporation city territory would be automatically withdrawn from the CSAs and the city would assume responsibility for this service. It could contract with the county to continue the service or, since the city constitutes 90% of the service load, the city could take over the franchising, serving the remaining unincorporated area under contract to the county. Economically it is highly desirable to maintain a single East County system. The remaining areas outside the city would be expensive to serve separately. However it is handled, city costs and revenues are assumed to be 90% of \$250,000, or \$225,000. It is assumed the city can levy the same parcel charges the county now uses without an election, since they are service charges and, unlike the snow removal parcel charges, are uniform throughout the area. It is also assumed the city area will continue to receive the property tax credit.

10. Road Maintenance

The county maintains the 170 miles of East County roads from its corporation yard in Truckee. Its 1981-82 costs were \$205,155 for general maintenance and \$7,098 for storm damage, a total \$212,253. Since there are 135 miles within the proposed city, its per mile share of these costs is \$168,554. The county has also pro-rated the following county-wide costs to the incorporation area:

Signing	\$14,641
Striping	8,607
Bridge maintenance	3,262
Undistributed costs	18,068

The Truckee yard has equipment with a new replacement cost of \$1,540,000. At a ten-year average life, the annual replacement expense is \$154,000. Prorated back to the 135 miles in Truckee, this would be \$122,294. This expense should be added to the above figures, which did not include equipment acquisition or replacement. The total 1981-82 road maintenance cost for the incorporation area was thus \$335,426, or \$2,485 per mile. Though this figure is, due to the addition of equipment costs, higher than the preliminary report, it is low for mountainous areas and indicates an inadequately funded program which is permitting many local roads to deteriorate. Preventive maintenance, such as scheduled resurfacing, is particularly needed. How high a priority a new city would give this need, in a context of limited resources and competing needs, cannot be predicted. This report assumes the city would add about \$200,000 to the current county program, for total costs of \$535,000. This is less than proposed in the preliminary report, due to budget constraints, but still represents an improvement over the present county program.

It will be easiest to contract this program from the county for the first years after incorporation, but in the longer run it will become more logical for the city to have its own road maintenance operation and to maintain the remaining county roads in East County under contract.

11. Road Improvements

The county's five year road improvement program includes these major projects in Truckee:

1982-83

Donner Pass Road from the state park through the gateway area: resurface and add left turn lane at a cost of \$1,452,000. Financing: \$583,000 TDA (see description below); \$123,000 mitigation fees; and \$746,000 federal aid.

1984-85

West River St. from the Placer County line to Riverside Dr.: shoulder improvements at a cost of \$460,000. Financing: \$219,000 TDA; and \$241,000 mitigation fees.

1985-86

West River St. from Riverside Dr. to Highway 267: shoulder improvements at a cost of \$277,000.

Financing: \$147,000 mitigation fees; balance of \$130,000 unfunded.

1986-87

Donner Pass Road from South Shore Drive to Coldstream; resurfacing, shoulder improvements, and turn lanes at a cost of \$1,410,010. Financing: \$276,000 mitigation fees; balance of \$1,134,000 unfunded.

In addition to these specific projects, the five-year program includes \$2,250,000 in TDA funds for unspecified minor projects, traffic signals, signs and stripes, and maintenance projects throughout the county. Some of these, such as the stop signals included in the Regional Transportation Plan, will be in Truckee. In addition, the county, with the state, plans to acquire and refurbish the Amtrak Station in Truckee.

TDA funds are a share of the sales tax on gasoline. Within the county they are allocated between the county (for the unincorporated area) and the two cities on a population basis. According to the Regional Transportation Plan a City of Truckee would receive about \$88,000 in 1982-83. The plan assumes this revenue to increase 20% annually, so over a five-year period the city would receive \$657,897. This increase is not occurring, and a more current five-year estimate is \$500,000. The first priority on their use is unmet local public transit needs, after which they may be used for road projects. Mitigation fees are a \$740 county charge per new dwelling or parcel. For non-residential uses the charge varies with estimated traffic generation. The fees are based on the cost of major projects needed in East County, in relation to anticipated units of growth. The county would turn over any unspent fees from Truckee to the city if it used them for projects in the county or regional plan. Where projects are included in the five-year program with incomplete funding, it is the intent that their priority is high enough to deserve funding if it should become available from sources not included in the revenue estimates. The federal aid shown for the 1982-83 Donner Pass Road project is from a program for unincorporated areas only. There is no similar program for cities in rural areas.

If it assumed the county will not find the revenues for the unfunded projects described above, it appears a city could better carry out this particular five-year program than the county. First, the 1982-83 Donner Pass Road project is in this year's budget and will probably be completed, or at least fully committed,

prior to incorporation. For the remaining three projects the county proposes \$219,000 TDA, \$664,000 mitigation fees, and \$1,264,000 unfunded. As noted earlier, a City of Truckee would receive substantially more in TDA funds over a five-year period than the county proposes to spend from this source after 1982-83 on major Truckee projects. This should be more than enough to handle the unspecified projects, as well as unmet public transit needs. It should be noted however, that this also assumes a city would continue the county's mitigation fee program, which the other two cities in the county have not adopted.

12. Public Transit Needs

In 1980 the Nevada County Transportation Commission studied public transportation alternatives for East County and concluded the most practical program was a demand-responsive service to the elderly and handicapped. At that time the High Sierra Senior Citizens, a non-profit corporation, contracted with a local cab company to provide such a service, funded primarily by federal Older Americans Act funds. This year the Senior group acquired, with state and federal assistance, a van equipped for the handicapped, and now provides service five days a week, eight hours a day, with a paid driver. The budget is \$27,445, including an \$18,890 federal grant, as well as in-kind local services and other income. According to the executive director, it would be desirable to extend the days and hours of service, if funds were available. She suggests the added costs would be \$10,000 and upwards to as much as \$18,890, matching the federal grant.

In deciding how to use the TDA funds described earlier, the city will first have to consider any unmet transit needs that can "reasonably" be met. It appears the expansion of service just described is the only such need, and the cost is estimated at \$12,000.

13. Snow Removal

The later section on snow removal estimates these costs at \$800,888.

14. Total Annual City Costs

General Government	\$ 214,000
Police	800,000
Planning	55,000
Building inspection	220,000

Engineering	30,878
Transportation Planning	15,000
Animal Control	34,215
Solid Waste Disposal	225,000
Road Maintenance	535,000
Road Improvements	76,000*
Snow Removal	800,888
Transit	<u>12,000</u>
	\$3,017,981

*Represents the balance of TDA funds after transit needs are met. Does not include major road projects and mitigation fees the city could undertake.

D. Estimated Annual City Revenues

1. Property Tax

a. Background

Since Proposition 13 local agencies do not levy separate property taxes, but instead share in the county-wide 1% tax levy. A new city's share is created by transferring to it a part of the county's share. According to the law, this share is determined as follows: 1) Lafco, assisted by the affected departments determines the cost during the previous fiscal year, of those county services that the city will assume responsibility for; and 2) the County Auditor-Controller determines the percentage that county property tax revenues constitute, of all county revenues available for general purposes. (Many county revenues, such as state and federal health and welfare assistance grants, can only be used for certain purposes).

This system has a logic to it: relating county cost reductions to relative size of the county's property tax revenues. The latter percentage is applied by Lafco to the county cost reduction, and the resulting figure becomes the county's tax share that is transferred to the city. However, the system has some weaknesses and fuzzy areas, and they can work to reduce the amount of taxes transferred to a new city. Proponents of incorporations have generally not been inclined, in the midst of the incorporation process, to question these adverse interpretations of the law by Lafco and county officials. The first area of interpretation is which county services should be included in the calculation. With some incorporations in other counties, the county has successfully asserted that road costs and even building inspection costs, should not be included because they are not financed by general revenues such as property taxes, but by the gas tax or building inspection fees. Nevada County and its Lafco have not yet resolved this question, since they have not faced a full-fledged incorporation proposal. (The Ananda Village proposal was too small to raise this issue.) So far in the course of this study, county officials indicate they will include all service costs that are reduced by incorporation, regardless of how they are financed, as the law implies.

The second problem is determining county service costs in a particular area. For those services where there is a separate East County sub-unit and budget (Sheriff, Building Inspection, Waste Disposal, Animal Control, and road maintenance and snow removal) cost estimating has been simplified, in most cases by assuming a percentage of the budget, ranging from 70% to 90%, is attributable to the incorporation area. Even with these services, however, some aspect of the service may be provided countywide, rather than by the East County sub-unit, and these costs have to be apportioned. Other services (Planning, Transportation Planning, Engineering) are countywide, and "guesstimates" of Truckee costs have had to be used. A related problem is that during the "previous fiscal year" (1981-82) costs may have been unusually high or low because of the vagaries of the timing of equipment acquisition. This is particularly the case with road maintenance and snow removal, and this report, at the suggestion of the Public Works Department, uses an annual equipment replacement allowance, instead of actual 1981-82 equipment expenditures. All the above problems were ameliorated by a 1982 study by the county of its service costs in East County, and by the fullest cooperation in this study by the affected county departments.

The last problem is which county revenues are those that are available for general expenditure. The Auditor-Controller's determination has resulted in property taxes constituting 38.68% of the total, with which this report agrees.

b. 1981-82 County Service Costs in Truckee

1) Sheriff

Total costs of the Truckee substation are budgeted at \$925,073 for 1982-83. The Sheriff states about 90% of the substation's activity occurs within the proposed city. Allowing for the fact the substation provides jail, bailiff and civil services that would not be affected by incorporation, costs in the incorporation area are estimated at \$800,000. If this is reduced 5% to get back to 1981-82 costs, they would be \$760,000.

2) Animal Control

1981-82 costs are estimated at \$32,504.

3) Planning

The County Planning Director agrees that \$41,000 is a "ball park" figure for costs at Truckee in that year.

4) Building Inspection

The Chief Building Inspector reports that the Truckee office costs in that year were \$176,725, and there were also \$36,814 in plan check costs at the Nevada City office, for a total \$213,539. Of this, he estimates at least 95%, or \$202,862, occurred within the proposed city.

5) Engineering

The Public Works Director agrees that \$29,334 represents these costs.

6) Transportation Planning

The Public Works Director states 1981-82 costs in East County, virtually all for work within the proposed city, were about \$35,000. This was higher than usual, due to several one-time studies or projects, and annual costs in East County would normally be \$15,000-\$20,000. This report uses \$15,000 for the incorporation area.

7) Road Maintenance

In addition to the direct East County road maintenance costs of \$256,831 in 1981-82, which did not include much equipment acquisition, the Public Works Director points out the equipment at the Truckee yard, including snow removal equipment, has a new replacement cost of \$1,540,000. He suggests an average life of eight years, or \$192,500 a year, but says a ten-year life, or \$154,000 a year, could also be assumed. Using the latter, and pro-rating the total on the basis of the proportion of East County road mileage within the proposed city, the result is \$335,426 in 1981-82 costs.

8) Snow Removal

These costs, on the older roads in East County plowed at county costs, were \$400,978 in 1981-82, not including the

allowance for equipment replacement included in road maintenance above. Adjusting this figure to the mileage within the proposed city, the result is \$309,527.

c. Determining the Property Tax Transfer

The total of the above costs is \$1,725,653. Multiplied by the 38.68% noted earlier, the amount to be transferred to the new city is \$667,483. Upon incorporation the county service areas providing snow removal and solid waste disposal will be automatically eliminated and their property tax revenues inherited by the city. These are noted below.

2. Sales Tax

The State Board of Equalization reports that local sales taxes in Truckee during the 1981-82 fiscal year were \$548,400. It estimates they will increase 8% for 1982-83, resulting in a net revenue of \$587,344 after deducting state administrative charges. This is the figure a city would receive, and has increased greatly since 1976, when the estimate was \$178,500.

3. Transient occupancy (bed) tax

The current county unincorporated area 5% tax on lodging bills produced \$61,962 in Truckee in the year between April 1, 1981 and March 31, 1982, according to records in the Tax Collector's office. This is also a large increase over the 1976 estimate of \$18,000. It is assumed the new city would adopt the same tax, though it could set a different rate, and the \$61,962 is used here. Whether adoption will require 2/3 voter approval is unclear, since a recent state Supreme Court ruling that a tax used for general purposes, as the bed tax would be, is not a "special tax" under Prop. 13, and therefore does not require voter approval.

4. Business license tax

This is an optional tax, possibly requiring 2/3 voter approval (see discussion under bed tax). It can be used to regulate problem activities, as well as to raise revenues, and can have low or high fees. It also involves some enforcement efforts and costs. Most cities require business licenses, and it is assumed Truckee will. Revenues usually equal 7%-11% of sales tax receipts, and assuming 7%, Truckee revenues would be \$41,114.

5. Building permits

The fee schedule for these permits is usually set to yield revenues sufficient to off-set most building inspection costs, and cities are usually closer to this target than counties. The Building Inspection section of this report estimated 1981-82 county costs at \$202,862, and permit revenues at 95% of \$144,828, or \$137,587. It also projected city costs of \$220,000 and revenues of \$190,000, reflecting a higher fee schedule. Both costs and revenues will fluctuate with building activity.

6. Snow removal reimbursements

The snow removal section of this report estimated these to average as follows:

State reimbursement	\$397,944
Parcel charges and CSA	
taxes	<u>276,716</u>
	\$674,660

These will also fluctuate with actual snow removal costs.

7. Solid waste charges and taxes

These were estimated in the section on this service at \$225,000.

8. Engineering fees

These are estimated to equal costs, which are \$30,878.

9. Cigarette tax

This is 3% of the sales tax, plus \$1.95 per capita, or \$29,320.

10. Gas Tax

The 2106 tax is \$3.31 per capita, plus \$4,800, or a total \$24,660. The 2107 tax, which was recently increased, will be \$9.85 per capita next year, plus \$2,000, or a total \$61,100.

11. Vehicle in-lieu (license fees)

This is \$18.50 per capita, or \$111,000.

12. Property transfer tax

This revenue depends on the rate of new construction and re-sales, and is estimated at \$10,000.

13. Fines

The inspection station at Truckee generates very large vehicle code fines, most of which would go to the city. The CHP has been increasing its manpower at the station, and is checking not only weights but also equipment violations. For 1981-82, vehicle code fines in the Truckee Judicial District were \$277,341, of which the court estimates 60%, or \$166,405, were for violations within the proposed city. Of this the city would receive 78%, or \$129,796, with the remaining 22% retained by the county to defray court costs. In 1976 this revenue was estimated at \$49,000. It will probably increase further as the CHP intensifies its inspections. The station will be relocated to a point on I-80 east of the old airport site, which is also within the proposed city boundaries.

14. Franchises

2% of the gross sales of private electric and CATV utilities in the area now go to the county, and would go to the city after incorporation. Last year these revenues, for the entire East County, were:

Sierra Pacific	\$14,293
Truckee River Cable	13,948
Sierra Communications	<u>2,207</u>
	\$30,448

Assuming 80% are in the proposed city, this revenue would be \$24,358.

15. Federal revenue-sharing

The amount a city receives is based on a complex formula of population, personal income, and tax effort, and is roughly estimated at \$60,000.

16. TDA

As noted under road improvements, this will be \$88,000.

17. Miscellaneous

Interest income, planning and zoning fees, various charges, etc. are estimated at \$20,000.

18. Total annual revenues

The column below summarizes the foregoing. On the right side is shown the extra revenues the city will temporarily receive because of its 9,000 official population.

Property tax	\$ 667,483	
Sales tax	587,344	
Bed tax	61,962	
Business licenses	41,114	
Building Permits	190,000	
Snow removal reimbursements	674,660	
Solid Waste charges and taxes	225,000	
Engineering fees	30,878	
Cigarette tax	29,320	+ 5,850
Gas tax	85,760	+39,480
Vehicle in-lieu	111,000	+55,500
Property transfer tax	10,000	
Fines	129,796	
Franchises	24,358	
Revenue-sharing	60,000	+10,000
TDA	88,000	
Miscellaneous	20,000	
	<hr/>	<hr/>
	\$3,036,675	+110,830

The above does not include any road mitigation fees similar to those now charged by the county against new development to finance road construction. The proposed expenditure budget also does not include large road projects that would require such fees, though the city might undertake such a program. The county keeps these fees in funds for each part of the county, and if there are unspent fees in the East County fund at the time of incorporation, the county will turn them over to the city, provided they are used on projects in the regional transportation plan.

19. A note on revenue predictability

Prop. 13 started a chain of local government revenue uncertainties that have been aggravated by the recession. Many state and federal grant programs have been cut, particularly one-time capital grants for physical improvements. The only grant program included in the above estimates is federal revenue sharing (\$60,000), a program that is up for renewal later this year. There is no talk of eliminating it, but its funding has not been increased over the years to keep up with either inflation or population growth.

The state has been cutting subventions to cities and counties. In addition to suspending the liquor license subvention, this has included reduction in the vehicle in-lieu (\$111,000) subvention. So far, these reductions follow provisions of the bail-out legislation which said that if state revenues fell below a certain level, to make it up the state would start reducing these subventions in proportion to the amount of bail-out each city had received. So far the Legislature has followed this formula, which excludes "no tax" cities and cities incorporated since the bail-out from the reductions. Depending upon the state's fiscal condition, the cuts could go further, or could be restored.

A state subvention of particular importance to Truckee is the snow removal reimbursement. A section of the law governing allocation of the State Highway Users Tax Fund states that cities above 5,000 feet elevation spending more than \$5,000 in any one year on snow removal shall be reimbursed 50% of their costs in excess of the \$5,000. Very few cities qualify, the total reimbursements are not significant at the state level, and so far this program has not been noticed in the search for reductions.

E. Snow Removal

A separate section is devoted to this topic because snow removal at Truckee is extremely important, expensive, and financially complicated. A city would assume responsibility from the county for this service.

1. Background

Starting in the late 1960's, the county decided it could no longer afford to accept snow removal responsibilities for new subdivision streets. As a condition of development approval, it started accepting such streets only for maintenance, and required the formation of county service areas (CSAs) to finance snow removal. Thus today the 44 miles of older roads in the area are plowed at county expense, and the 91 miles of newer roads at local taxpayers' expense. At first a property tax was used, but with Prop. 13 this has had to be supplemented with parcel charges, which range from \$27 per parcel within the Tahoe-Donner CSA, the only CSA where the property tax allocation is significant, to \$135 at Ponderosa Pallisades.

2. Present Costs and Financing

Snowfall, and snow removal costs, vary substantially from year to year. Over the past three years in East County they have been;

	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Older Streets (County)	\$252,428	\$251,036	\$ 400,978
Newer Streets (CSAs)	<u>440,014</u>	<u>391,971</u>	<u>691,149</u>
	\$692,442	\$653,007	\$1,092.126

1981-82 was high because of both heavy snows and large equipment acquisitions, particularly for the Tahoe-Donner CSA. So far this year is even higher. For purposes of this report it is assumed the annual average costs for the newer streets, all of which are in the city, is \$550,000, and for the older streets \$325,000. The county plows 57 miles of these streets in East County, so the average per mile would be \$5,702, or a total \$250,888 for the 44 miles within the city. Thus total city snow removal costs would average \$800,888 annually. Because some components of snow removal costs, such as equipment acquisition, have been increasing faster than inflation, and because Truckee has now had two expensive winters in a row, this report will also include an increase in average costs of 25% for both the older and new streets, for a total \$1,000,000.

The state reimburses counties on the average 40% of their costs, including those of the CSAs. This is an annual appropriation, so is not entirely reliable. In addition, it is based on the average of the previous three years, so tends to fall behind current costs, particularly in a bad year. The state reimburses cities 50% of their costs above \$5,000. This is not an annual appropriation, but comes directly from the state Gas Tax Fund, and does not use a three-year average, but last year's actual costs.

In computing CSA parcel charges, only recently has the county started giving each CSA credit for its share of the state reimbursement. This will make for lower parcel charges than would otherwise be required. These charges tend to vary each year, not only with snow removal costs, but with annual fund surpluses and deficits. The CSA property tax revenue, which is taken into account before setting the parcel charges, has been more stable and in 1981-82 totalled \$175,681, almost all at Tahoe-Donner. The balance of the CSA costs are met with the parcel charges and minor other revenues.

3. Effect of Incorporation

CSAs are automatically dissolved by incorporation. A new city could attempt to continue the county practice of charging some areas for snow removal, and not others, but this would run the risk of an "equal protection" suit. The city's position would be different from the county's, because the county made this a condition of development approval, which the city could do only with future development, and because the county had a vehicle, the CSA, to avoid direct discrimination.

There appears to be two ways to handle this problem: treat all parts of the city equally; or seek to legally continue the present system. To treat all areas alike, either the parcel charges could be extended to the older areas, or eliminated in the newer areas. The former option would eliminate any direct city snow removal costs by transferring these present direct county costs, about \$125,000 on the average after deducting state reimbursement, to the older areas. If there are, for example, 3,000 parcels in these areas (the number has not been worked out), the per-parcel charge would be \$42. It is higher than at Tahoe-Donner in part because there is no property tax credit. This scheme would probably require 2/3 voter approval under Prop. 13. Conversely, the entire city could be plowed at city expense, eliminating the parcel charges in the newer areas. In an average year, after subtracting the state

reimbursement and the CSA property tax allocation the city would inherit, this would add about \$100,000 above present direct county costs, to city costs. This option would be welcomed in the newer areas, but would add the burden on the city General Fund. Continuing the present system requires keeping something like the CSAs in existence through the incorporation process. If the city tried to recreate them later it would face a 2/3 vote in the affected areas, an uncertain proposition. Special legislation could be sought, keeping these particular CSAs in existence after incorporation. It would have to pass prior to Lafco's approval of incorporation, and there is also the question of whether the CSAs would continue to be governed by the county.

Another alternative, and the one recommended by this report, provided the County Counsel agrees it is feasible, is for Lafco to include, as part of the incorporation proposal and ballot measure, the formation of improvement districts to replace the county service areas. This would be done in the following manner:

- 1) Government Code Section 54790.1 (a part of the Lafco enabling laws) authorizes Lafco to make its approval of such proposals as incorporations conditional upon any of the conditions set forth in Sec. 56470.
- 2) Section 56470 (a part of the District Reorganization Act of 1965) sets forth a number of terms and conditions that proposals can be made the subject of, including "the formation of a new improvement district or districts."
- 3) Section 56043 of the District Reorganization Act defines an improvement district as "a district, area or zone formed for the sole purpose of designating an area which is to bear a special tax or assessment for an improvement benefitting that area."

The districts would be governed and used by the city in much the same way the county service areas are by the county, and a number of cities are using similar devices for localized services. Though none currently involve snow removal, it is assumed, pending confirmation by the County Counsel, this is included within the meaning of "improvement." A merit of this approach is that the law authorizes Lafco to provide that there shall be a single question on the ballot, combining the incorporation and district reorganization issues. This is recommended, since it makes it clear to every voter that incorporation will continue the present snow removal financing system.

The CSAs receive property tax allocations, have fund balances, and have paid for buildings (Tahoe-Donner) and snow removal equipment. Upon dissolution of the CSAs with incorporation, the city will inherit these assets. To continue all aspects of the existing system, they should go not to the city as a whole, but to the respective improvement districts that succeed each CSA. Lafco could make this a condition of district formation, or the city could follow this policy on its own. State reimbursements should also continue to be credited back to each district.

The recommended alternative would be financed as follows:

	<u>Total costs \$800,888</u>	<u>Total costs \$1,000,000</u>
State reimbursement	\$397,944	\$ 497,500
City General Fund	126,228	157,283
Parcel charges and CSA taxes	<u>276,716</u>	<u>345,217</u>
	\$800,888	\$1,000,000

Under the other two alternatives, the local costs (\$402,944 and \$502,500 respectively) would be paid entirely by either parcel charges (and inherited CSA tax allocations of about \$175,000) throughout the city, or by the city General Fund (including the inherited CSA taxes).

The chart above illustrates the advantages to a city of the present system. Even if total costs get up \$200,000, city costs increase only \$31,000. This is because the state pays for nearly half the increase, and the parcel charges pay for 68% of the rest. The city pays for 16% of the increase.

As noted earlier, the county is reimbursed by the state an average 40%. Using the \$800,888 model, the county reimbursement would be \$320,355, \$77,589 less than the city's. Under all alternatives, this goes to reduce the local costs of snow removal.

4. City Organizational Alternatives

This report has assumed city costs would be similar to county costs because the city would either contract with the county for snow removal or would set up its own program in a very similar manner. In the latter case, county equipment and facilities, much of it geared to the CSAs, would probably be turned over to the city. As a practical matter, the city would probably contract with the county for several years for this service and road maintenance, and then consider its own program in cooperation with the county.

F. Relation of Incorporation to Special Districts

The preliminary report described the existing special districts at Truckee and the feasibility of city-district merger. Short of formal merger, it also discussed the opportunity for consolidating operations between the proposed city and the Truckee-Donner Public Utility and Sanitary districts, as well as areas of possible city cooperation with the Truckee Fire District and the Tahoe-Donner Park and Recreation District.

A question is whether the incorporation proposal to Lafco should include any changes in the present districts, all of which cover more territory than the proposed city. Among the alternative merger methods discussed in the preliminary report, the only one that could apply at the time of incorporation is withdrawal of city territory from one or more of the districts. This would have to be approved by Lafco and the voters, as part of the incorporation. In effect it would turn over to the city most of the district's service area, responsibilities and assets, leaving the remaining district no alternative but to continue receiving services from the city by contract, or go out of business. This appears too precipitous and drastic a move, and is not recommended. One other alternative discussed, the conversion of either the public utility or sanitary district into a "subsidiary district" governed by the city, is not feasible at this time because the proposed city boundaries do not include the minimum 70% of district territory required by law.

It is therefore recommended that the proponents of incorporation simply state the desirability of the new city and the four districts (five, if the Truckee Cemetery District is included) getting together after incorporation and studying the means by which they can best jointly serve the Truckee area. If necessary the new city could compel such a study by requesting Lafco to form a "Reorganization Committee," representing the city, each district, and the public, to develop a reorganization plan.

Recently the Appellate Court found that before a Lafco can approve a proposal, it must adopt "spheres of influence" for each local agency which might include the same territory in its sphere of influence. Such a sphere is defined in the law as "a plan for the probable ultimate physical boundaries and service area of a local governmental agency", and the court saw it as a means of contributing to "the orderly formation and development of local governmental agencies", which is Lafco's purpose. The Nevada County Lafco is now in the process of developing spheres of influence for the various agencies in the county, including the districts at Truckee.

G. The Initial Partial Year After the Incorporation Election

Under the law a county must continue all normal unincorporated area services to a new city until the end of the fiscal year (July 1-June 30) during which incorporation becomes effective. Meanwhile, many city revenues start coming in soon after the effective date of incorporation. These laws are intended to give a new city some time and funds to prepare for taking over service responsibilities at the start of the next fiscal year. Normally the effective date is about a week after the election, but Lafco can set a later effective date if it wants to. One reason would be to minimize a large county loss during the first partial year by shortening its duration. Another would be where the election was held shortly before the end of the fiscal year, not giving the new city sufficient time and funds. Here, the date could be postponed until after July 1. A last key date is January 1, because a new city cannot receive property tax revenues in the following fiscal year unless it was incorporated as of January 1. An election held in the fall, with the effective date postponed by Lafco until the next spring, would meet this requirement as long as the state was notified by January 1. The earliest election date incorporation could make is November, 1983; the next date would be in spring, 1984. Assuming the effective incorporation date is November, the city would have until the next July 1 to get organized. During this period it would rent offices, employ initial staff, arrange for legal and consulting services, negotiate with the county over desired service contracts for the coming fiscal year, etc. The city would also have to reimburse the county the cost of the incorporation election. Month-to-month, expenditures would gradually build up, but would not approach the full level. The city will be responsible for planning and zoning policy decisions upon the effective date of incorporation, and could either rely on county staff until the end of the fiscal year or hire its own sooner. New cities usually adopt county zoning ordinances on an interim basis. They have two years in which to adopt a city general plan.

Total city costs during this initial partial year are estimated to total \$50,000. Meanwhile those revenues that would start arriving soon after incorporation, and their estimated total amounts by the end of the partial year, using the 9,000 official population which is valid for this period, are:

Sales tax	\$146,836
Cigarette tax	11,031
Gas tax	75,040
Vehicle in-lieu	97,125
Fines	75,714
Franchise tax	3,806
Trailer in-lieu	1,743
	<hr/> \$411,295

Thus, by July 1, 1984, when the city would assume its full service responsibilities, it should have a reserve of around \$350,000 on hand. At that time the other revenues will start coming in. It is noted the business license and bed taxes may require a 2/3 voter approval, and that this election could be held at a regular election date. The reason for this voter approval uncertainty is that it was assumed these are "special taxes" under Prop. 13, requiring a 2/3 vote. A recent state Supreme Court decision said that if a tax is used for general purposes, as these would be, it is not a special tax and requires no vote. The state snow removal reimbursements are delayed for several months after the costs are incurred, and revenue sharing would not be received until about December, 1984.

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